

First Special Session

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *

	FY 2001-2002		FY 2002-2003	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	See below	See below	See below	See below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below	See below	See below	See below

*Does not include impact on political subdivisions. See narrative for political subdivision estimates.

In brief summary, LB19 would change distribution of state cigarette tax proceeds. The bill proposes to:

1. Increase cigarette tax proceeds credited to the Building Renewal Allocation fund from the equivalent of 5¢ of the tax to the equivalent of 6¢ of the tax.
2. Decrease cigarette tax proceeds credited to the City of the Primary Class Development Fund from the current level of \$1,000,000 annually to a revised level of \$500,000 annually for the time period FY2001-02 through FY2015-16.
3. Decrease cigarette tax proceeds credited to the City of the Metropolitan Class Development Fund from the current level of \$1,500,000 annually to a revised level of \$750,000 annually for the time period FY2001-02 through FY2015-16.

Currently, the state imposes a tax of 34¢ on each package of cigarettes containing not more than 20 cigarettes. For packages containing more than 20 cigarettes, the tax is 34¢ plus 1.7¢ (one-twentieth of 34¢) for each cigarette in excess of 20. For FY2000-01, the tax at this rate generated net receipts totaling \$41,955,684. The equivalent of each 1¢ of the tax, therefore, represented \$1,233,991. LB19 does not propose to change the existing tax rate. Rather, the bill amends provisions governing the distribution of the proceeds of the tax at its existing rate.

Under current law, the equivalent of 5¢ of annual cigarette tax receipts is credited to the Building Renewal Allocation Fund to carry out the purposes of the Deferred Building Renewal Act. Current law also includes a "hold harmless" provision stipulating that the amount to be credited to the Building Renewal Allocation Fund for any given fiscal year is not to be less than five-sevenths of the amount credited to the fund in FY1997-98 ($5/7 \times 9,163,271 = 6,545,194$). LB19 would increase the level of tax proceeds credited to the Building Renewal Allocation fund to the equivalent of 6¢ of annual cigarette tax receipts. The bill would also amend the related "hold harmless" provision and stipulate that the amount credited to the fund for any given fiscal year is not to be less than six-sevenths of the amount credited to the fund in FY1997-98 ($6/7 \times 9,163,271 = 7,854,232$). Any amount required to make up a shortfall between (1) either the equivalent of 5¢ under current law or the equivalent of 6¢ as proposed by LB19, and, (2) the respective "hold harmless" levels is to be drawn against cigarette tax proceeds that otherwise would be allocated to the General Fund. If the total level of net cigarette tax receipts realized for FY2000-01 is assumed for FY2001-02 and future fiscal years, "hold harmless" provisions under both current law and LB19 would be operative. Under such an assumption, the distribution of annual cigarette tax receipts to the Building Renewal Allocation Fund would be \$1,309,038 ($7,854,232 - 6,545,194 = 1,309,038$) greater for FY2001-02 and future years under LB19 than would be the case under current law.

Under current law, \$1,000,000 of annual cigarette tax receipts is to be credited to the City of the Primary Class Development Fund for FY2001-02 through FY2015-16. LB19 would reduce this annual amount by \$500,000. Upon appropriation by the Legislature, statute authorizes amounts credited to the City of the Primary Class Development Fund to be expended (by the City of Lincoln) to support the design and development of the Antelope Valley project and related financing costs. LB19 would reduce amounts available to the City of Lincoln for this purpose by \$500,000 annually for the period FY2001-02 through FY2015-16.

Under current law, \$1,500,000 of annual cigarette tax receipts is to be credited to the City of the Primary Class Development Fund for FY2001-02 through FY2015-16. LB19 would reduce this annual amount by \$750,000. Statute authorizes amounts credited to the City of the Metropolitan Class Development Fund to be expended (by the City of Omaha), upon appropriation by the Legislature, to support the design and development of redevelopment projects along the Missouri River generally north of Interstate 480 to Interstate 680. LB19 would reduce amounts available to the City of Omaha for this purpose by \$750,000 annually for the period FY2001-02 through FY2015-16.